

## SECOND DIVISION

[ G.R. No. 170422, March 07, 2008 ]

**SPS. EDMOND LEE and HELEN HUANG, Petitioners, vs. LAND BANK OF THE PHILIPPINES, Respondent.**

### D E C I S I O N

**TINGA, J,:**

For our consideration is a Petition<sup>[1]</sup> assailing the 18 August 2005 Decision<sup>[2]</sup> of the Court of Appeals in CA-G.R. SP No. 84249, entitled *Land Bank of the Philippines v. Sps. Edmond Lee and Helen Huang*.

The antecedents follow.

On 7 August 2001, petitioners received a notice of coverage informing them that their landholding<sup>[3]</sup> is covered by the government's compulsory acquisition scheme pursuant to the Comprehensive Agrarian Reform Law (R.A. No. 6657). On 1 June 2001, they received from the Department of Agrarian Reform (DAR) a copy of the notice of land valuation and acquisition which contains an offer of P315,307.87<sup>[4]</sup> as compensation for 3.195 hectares of the property. Petitioners rejected the offer.

Subsequently, a summary administrative proceeding was conducted by the Department of Agrarian Reform Adjudication Board (DARAB) to determine the valuation and compensation of the subject property. On 27 September 2001, the DARAB issued a decision<sup>[5]</sup> declaring that the Land Bank of the Philippines (LBP) fully complied with the criteria set forth in R.A. No. 6657 in determining the value of the land, and ordered the LBP to pay petitioners the original amount offered by DAR. Petitioners sought reconsideration of the decision, but their motion was denied by the Provincial Adjudicator on 6 December 2001.<sup>[6]</sup>

Aggrieved, petitioners filed an original petition<sup>[7]</sup> for the determination of just compensation before the Regional Trial Court of Balanga City, Bataan.<sup>[8]</sup> They offered the same exhibits and transcript of the oral testimonies and the appraisal report presented in Civil Case No. 7171,<sup>[9]</sup> a prior just compensation case involving a parcel of land adjacent to the property subject of this case, where the special agrarian court (SAC) pegged the value of the property at P250.00 per square meter. LBP, for its part, presented the testimony of one Theresie P. Garcia, an agrarian affairs specialist. The SAC, citing the appraisal report and its decision in Civil Case No. 7171, decided in favor of petitioners and ordered LBP to pay them P7,978,750.00 as just compensation.<sup>[10]</sup>

LBP filed a Petition for Review<sup>[11]</sup> before the Court of Appeals and argued that the SAC erred in giving considerable weight on the appraisal report of the private

appraisal firm thereby disregarding the provisions of R.A. No. 6657 and its implementing regulations. The Court of Appeals ruled that the SAC should have refrained from taking judicial notice of its own decision in Civil Case No. 7171 in resolving just compensation in the present case, especially because the values rendered in the previous decision had not yet attained a final and executory character at the time.<sup>[12]</sup> It found that the SAC made a wholesale adoption of the valuation of the appraisal company and did not consider the other factors set forth in R.A. No. 6657 even though the appraisal company admitted that it did not consider as applicable the CARP valuation of the property.<sup>[13]</sup>

The Court of Appeals likewise found the value proposed by LBP to be extremely low considering the disparity between the said amount and that suggested by the appraisal company. According to the Court of Appeals, the SAC should have judiciously made an independent finding of fact and explained the legal basis thereof.<sup>[14]</sup>

The Court of Appeals held that since the taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding, the SAC should have appointed competent and disinterested commissioners to assist it in valuating the property in question, following Section 5, Rule 67 of the 1997 Rules of Civil Procedure.<sup>[15]</sup> It remanded the case to the trial court "for proper and judicious determination of just compensation, appointing for that purpose a set of commissioners."<sup>[16]</sup>

Before us, petitioners allege that it is no longer necessary to remand the case to the lower court because the parties already had the chance before the SAC to present evidence on the valuation of the subject landholding. Petitioners believe that the remand of the case would give LBP undue opportunity which it already had during the proceedings *a quo*, and which opportunity it failed to take advantage of.<sup>[17]</sup>

Petitioners also argue that the SAC may validly take judicial notice of its decision in the other just compensation cases. They point out that they had offered in the present case both testimonial and documentary evidence adduced in the previous case. Thus, the SAC's decision in this case was based on the evidence presented during trial.<sup>[18]</sup>

Finally, relying on the presumption of regularity, petitioners claim that the SAC had considered the criteria set forth in the law for the determination of just compensation in computing the value of the subject landholding. In any case, according to them, R.A. No. 6657 does not at all require the SAC to consider all the seven factors enumerated therein in its determination of just compensation.<sup>[19]</sup>

In its Comment,<sup>[20]</sup> LBP argues that the Supreme Court is not a trier of facts, and is not duty-bound to determine the veracity of the factual allegations of petitioners.<sup>[21]</sup> Anent the issue of judicial notice, LBP posits that the reliance by the SAC and petitioners on the valuation in Civil Case No. 7171 is misplaced because the said case is still on appeal and has not yet attained finality.<sup>[22]</sup> Even if the evidence in the aforesaid case is presented in this case, the fact remains that the valuation reached by the SAC is not in accord with R.A. No. 6657 as translated into a basic

formula in DAR Administrative Order No. 5, series of 1998 (AO No. 5).<sup>[23]</sup> In addition, LBP posits that the factors in determining just compensation, as spelled out in *Land Bank of the Philippines v. Spouses Bana*,<sup>[24]</sup> were not observed by the SAC in the instant case since it relied merely on the alleged selling price of the adjoining lands in fixing the just compensation of the subject property instead of following the formula under AO No. 5.<sup>[25]</sup> LBP adds that the subject property is being acquired by the government pursuant to its land reform program, and

thus its potential for commercial, industrial or residential uses will not affect the compensation to be paid by the State as its value is determined at the time of the taking.<sup>[26]</sup>

There is no merit in the petition.

Judicial cognizance is based on considerations of expediency and convenience. It displaces evidence since, being equivalent to proof, it fulfills the object which the evidence is intended to achieve.<sup>[27]</sup>

The SAC may take judicial notice of its own decision in Civil Case No. 7171. It has been said that courts may take judicial notice of a decision or the facts involved in another case tried by the same court if the parties introduce the same in evidence or the court, as a matter of convenience, decides to do so.<sup>[28]</sup> Petitioners presented the same appraisal report offered in Civil Case No. 7171, and there seems to be no objection on the part of LBP when they did so.

We note, however, that the SAC's cognizance of its findings in Civil Case No. 7171 was not the sole reason for its decision. A reading of its decision shows that the SAC considered the evidence presented by both petitioners and LBP, *i.e.*, the testimonies and report used in Civil Case No. 7171 proffered by petitioners, and the testimony of LBP's agrarian affairs specialist. The SAC evidently found the testimony of the LBP officer unsatisfactory and LBP's valuation improper, and thus relied on the evidence presented by petitioners. As the Court sees it, the decision in Civil Case No. 7171 merely strengthened the case for petitioners.

Be that as it may, the SAC's reliance on the valuation made by the appraisal company is misplaced, since the valuation was not arrived at using the factors required by the law and prescribed by the AO No. 5.

Section 17 of R.A. No. 6657 which enumerates the factors to be considered in determining just compensation reads:

SECTION 17. *Determination of Just Compensation.*—In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non- payment of taxes or loans secured from any government financing institutions on the said land shall be considered as additional factors to determine its valuation.

These factors have already been incorporated in a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. AO No. 5 precisely filled in the details of Section 17, R. A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. [29] This formula has to be considered by the SAC in tandem with all the factors referred to in Section 17 of the law. The administrative order provides:

A. There shall be one basic formula for the valuation of lands covered by VOS or CA:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where:

LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all three factors are present, relevant, and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In no case shall the value of idle land using the formula  $MV \times 2$  exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder.

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Where:

$$CNI = \frac{(AGP \times SP) - CO}{.12}$$

AGP= Average Gross Production corresponding to the latest available 12 months' gross production immediately preceding the date of FI (field investigation)

SP= Selling Price (the average of the latest available 12 months selling prices prior to the date of receipt of the CF (claim folder) by LBP for